

Message Text

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20/15

ACTION EB-11

INFO OCT-01 NEA-10 ADP-00 L-03 IO-13 AID-20 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-15

STR-08 CEA-02 DODE-00 PA-03 USIA-12 PRS-01 RSR-01

/152 W

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R 050655 Z JUL 73

FM AMEMBASSY ISLAMABAD
TO SECSTATE WASHDC 9891
INFO AMEMBASSY DACCA
AMEMBASSY NEW DELHI

UNCLAS ISLAMABAD 5382

E. O. 11652: N/ A

TAGS: EFIN, EAID, PK

SUBJ: LOCAL PRESS REACTION TO CONSORTIUM DEBT RELIEF

1. GOP - CONTROLLED PAKISTAN TIMES FOR JULY 4 CARRIED FRONT PAGE ARTICLE BY ASLAM SHEIKH ENTITLED " INTERIM ACCORD WITH CONSORTIUM ON DEBT RELIEF. LIABILITY."

TEXT FOLLOWS:

2. " PAKISTAN AND THE WESTERN CONSORTIUM HAVE AGREED ON AN INTERIM ARRANGEMENT RELATING TO ISLAMABAD'S DEBT LIABILITY, PARTIALLY RESOLVING THE DEADLOCK ON THE REPAYMENT ISSUE OF LOANS CONSUMED IN BANGLADESH.

" HAMMERED OUT AFTER PROTRACTED NEGOTIATIONS, THE THREE-POINT AGREEMENT STIPULATES THE FOLLOWING:

-- PAKISTAN WILL BE ALLOWED A SHORT- TERM DEBT RELIEF (FOR 1973-74) ON REPAYMENTS OF 115 MILLION DOLLARS. THIS WILL VIRTUALLY IMPLY SUSPENSION OF REPAYMENT OF 70 MILLION DOLLARS FOR CREDITS SPENT IN EAST PAKISTAN.

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AA ISLAMABAD WILL NOT BE FINANCIALLY ANSWERABLE BEYOND JUNE 1974 FOR PROJECT LOANS DISBURSED IN EAST PAKISTAN. THESE LOANS COMPRISE THREE- FOURTH OF THE TOTAL DEBT LIABILITY PERTAINING TO EAST PAKISTAN, AND
-- THE LONG- TERM RE- SCHEDULING OF WEST PAKISTAN' S DEBT WILL BE DECIDED BY JUNE NEXT YEAR.

" UNDER THAT ARRANGEMENT, THE PROBLEM OF REPAYMENTS OF COMMODITY LOANS UTILISED IN WHAT WAS EAST PAKISTAN BEFORE DECEMBER 1971 WILL ALSO BE SORTED OUT.

" ACCORDING TO INFORMED SOURCES HERE, THE WORLD BANK WILL BE SUBMITTING TO THE CONSORTIUM MEMBERS DETAILED RE- COMMENDATIONS BY EARLY NEXT YEAR ON RE- SCHEDULING OF WEST PAKISTAN' S DEBT LIABILITY ON THE LONG- TERM BASIS. THIS STUDY WILL FORM THE BASIS OF DISCUSSION AT THE CONSORTIUM MEETING PROPOSED FOR JUNE NEXT YEAR.

" THE AGREEMENT HAS BEEN CONCLUDED WELL IN TIME TO AVERT THE THREATENED BREAKDOWN OF ECONOMIC RELATIONS BETWEEN PAKISTAN AND THE CONSORTIUM COUNTRIES. THE EARLIER 26- MONTH DEBT RELIEF AGREEMENT EXPIRED ON JUNE 30 TH THIS YEAR. IT IS UNDERSTOOD THAT THE AGREEMENT NOW WORKED OUT WILL ALSO REMOVE ANY UNCERTAINTY ABOUT THE COMMITMENT OF FRESH COMMODITY LOANS TOTALLING ABOUT 170 MILLION DOLLARS.

" WHILE IT HAS NOT FINALLY DECIDED ON THE IMMEDIATE BIFURCATION OF TOTAL PRE- DECEMBER 1971 DEBT BETWEEN ISLAMABAD AND DACCA, IT HAS GONE FAR ENOUGH TO CONCEDE SUBSTANTIALLY PAKISTAN' S POSITION ON THE ISSUE.

" THE MAIN ELEMENT OF THE AGREEMENT VIRTUALLY ABSOLVES PAKISTAN OF THE RESPONSIBILITY TO REPAY LOANS SPENT ON SPECIFIC PROJECTS BEYOND JUNE 1974 IN ANY CASE. OF THE TOTAL DEBT OF 3.4 BILLION DOLLARS TO THE MEMBERS OF THE CONSORTIUM, AROUND 1.3 BILLION DOLLARS RELATE TO BANGLADESH. THE SUBSTANTIAL PART OF THE LATTER AMOUNT WAS IN FACT, IN THE FORM OF THE PROJECT LOANS.

" FOR THE CURRENT FINANCIAL YEAR, THE AGREEMENT WILL VIRTUALLY PERMIT PAKISTAN TO STOP REPAYMENTS RELATING TO BANGLADESH. THESE AMOUNT TO 70 MILLION DOLLARS. THE AGREEMENT WILL REDUCE PAKISTAN' S ANNUAL LIABILITY FOR THE CURRENT FINANCIAL YEAR TO ABOUT 125 MILLION DOLLARS.

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" IT IS, HOWEVER, OBVIOUS THAT THE CONSORTIUM HAS FOR THE TIME BEING EVADED THE STRICTLY LEGAL ASPECT OF THE DEBT ISSUE. ITS VIEW IS REPORTED TO BE THAT IT WAS FOR ISLAMABAD AND DACCA TO DECIDE ON THE DEVISION OF THE OVERALL DEBT LIABILITY. IT HAS ALSO INDICATED ITS WILLINGNESS TO ACCEPT WHATEVER IS MUTUALLY DECIDED

BY THE TWO."

SOBER

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